

Message Text

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ACTION EUR-12

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FM AMEMBASSY LISBON

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TAGS: BGEN, PO

SUBJ: TORRINGTON INDUSTRIES

REF: LISBON 3870

SUMMARY: LACK OF PROGRESS IN RESOLVING TORRINGTON CASE INDICATES NEED FOR STRONG DIPLOMATIC DEMARCHE. I PLAN TO DELIVER DIPLOMATIC NOTE TO FORMIN ASAP AND REQUEST DEPARTMENT MAKE SIMULTANEOUS APPROACH TO PORTUGUESE AMBASSADOR IN WASHINGTON. END SUMMARY.

1. GOP'S PROLIX AND INDECISIVE HANDLING OF TORRINGTON CASE INDICATES TIME HAS ARRIVED FOR WRITTEN, FORCEFUL U.S. DEMARCHE. I PLAN, THEREFORE, TO PRESENT DIPLOMATIC NOTE TO FOREIGN MINISTER OR, IF IMMEDIATE APPOINTMENT WITH HIM UNOBTAINABLE, TO DIRECTOR GENERAL OF FONMIN. I PROPOSE TO DELIVER NOTE NO LATER THAN FRIDAY, JULY 11, BUT WILL NOTIFY DEPARTMENT SUFFICIENTLY IN ADVANCE SO THAT SIMULTANEOUS PROTEST CAN BE PRESENTED TO PORTUGUESE AMBASSADOR IN WASHINGTON.

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2. WE HAD ORIGINALLY CONSIDERED RAISING ISSUE ONCE MORE WITH PRIME MINISTER VASCO GONCALVES. PRESENT POLITICAL FERMENT AND PRIME MINISTER'S IMPENDING DEPARTURE TO VISIT SAO TOME LEAD US TO BELIEVE, HOWEVER, THAT SUCH APPROACH WOULD NOT PRODUCE RAPID, MEANINGFUL RESULTS. PERSONAL DELIVERY OF NOTE TO FONMIN, ON OTHER HAND, WOULD HOPEFULLY INCREASE LIKELIHOOD OF PROMPT GOP RESPONSE. THIS PROCEDURE HAS ADDED ADVANTAGE OF PLACING USG POSITION IN OFFICIAL, WRITTEN FORM THAT CAN BE EASILY STUDIED BY VARIOUS IMPORTANT SECTORS OF GOP AND CAN SUBSEQUENTLY, IF NECESSARY, BE MADE PUBLIC BY USG TO COUNTER CHARGES OF "ECONOMIC SABOTAGE." IT WILL UNEQUIVOCALLY AND UNDENIABLY ALERT GOP TO SERIOUSNESS OF USG CONCERN AND TO DAMAGING IMPLICATIONS OF CONTINUED PORTUGUESE INDECISION. IN ADDITION TO PRESENTING NOTE TO FONMIN, WE INTEND TO RAISE ISSUE AND LEAVE COPIES OF NOTE WITH OTHER HIGH-LEVEL GOP OFFICIALS, E.G., LABOR MINISTER COSTA MARTINS, REVOLUTIONARY COUNCIL MEMBER ROSA COUTINHO, AND CHIEF OF PRESIDENT COSTA GOMES' CIVIL HOUSEHOLD.

3. FOLLOWING IS TEXT OF NOTE I PLAN TO DELIVER:

A. THE AMBASSADOR ... AND HAS THE HONOR TO REFER TO THE DIFFICULTIES WHICH, FOR THE PAST THREE MONTHS, HAVE COMPLETELY DISRUPTED AND FINALLY STOPPED THE PRODUCTIVE OPERATIONS OF TORRINGTON PORTUGUESA SARL. THESE DIFFICULTIES, CAUSED BY AN ILLEGAL OCCUPATION OF THE COMPANY'S FACTORY, BEGAN ON APRIL 4, 1975, WHEN THE CORPORATION'S MANAGERIAL PERSONNEL WERE PREVENTED FROM ENTERING THE FACTORY.

B. THAT TORRINGTON PORTUGUESA SHOULD FIND ITSELF IN THIS POSITION IS PARTICULARLY SURPRISING IN THAT THE COMPANY APPEARS TO HAVE BEEN AN EXEMPLARY CORPORATE CITIZEN. ITS EXPORTS HAVE EARNED APPROXIMATELY FOUR MILLION DOLLARS A YEAR IN FOREIGN EXCHANGE FOR PORTUGAL; IT TRAINED PORTUGUESE PERSONNEL TO ASSUME IMPORTANT SUPERVISORY RESPONSIBILITIES; IT REMITTED VIRTUALLY NO PROFITS TO ITS PARENT COMPANY, PREFERRING INSTEAD TO REINVEST ITS EARNINGS; AND IT CREATED APPROXIMATELY 400 POSITIONS FOR PORTUGUESE WORKERS. IN FACT, THE COMPANY EARLY THIS YEAR HAD PLANS TO DOUBLE ITS INVESTMENTS IN PORTUGAL AND IT MAINTAINED A FULL EMPLOYMENT POLICY AT LIMITED OFFICIAL USE

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ITS PORTUGUESE INSTALLATION EVEN THOUGH ITS CORPORATE AFFILIATES IN THE UNITED STATES WERE SIMULTANEOUSLY DISMISSING EMPLOYEES.

C. THE TREATMENT ACCORDED TO TORRINGTON PORTUGUESA WILL HAVE SIGNIFICANT IMPLICATIONS FOR PORTUGAL'S ECONOMIC INTERESTS. THE GOVERNMENT OF PORTUGAL HAS DECLARED ITSELF TO BE IN FAVOR OF A CONTINUED ROLE FOR PRIVATE FOREIGN INVESTMENT IN THE NATION'S ECONOMIC DEVELOPMENT PROGRAM. FOR

ITS PART, THE GOVERNMENT OF THE UNITED STATES HAS, AS A MATTER OF POLICY, ENCOURAGED AMERICAN CORPORATIONS TO INCREASE THEIR INVESTMENTS IN AND CREDITS TO PORTUGAL. HOWEVER, FOREIGN MANUFACTURING AND FINANCIAL CORPORATIONS, WHICH ARE COMPLETELY INDEPENDENT IN MAKING THEIR MANAGERIAL DECISIONS, ARE CLOSELY OBSERVING THE MANNER IN WHICH TORRINGTON PORTUGUESA'S PROBLEMS ARE TREATED. FAILURE TO RESOLVE, PROMPTLY AND EQUITABLY, THE PROBLEMS PREVENTING TORRINGTON FROM RE-INITIATING OPERATIONS WOULD UNDOUBTEDLY DISCOURAGE OTHER POTENTIAL INVESTORS AND CREDITORS FROM INCREASING THEIR CAPITAL EXPOSURE IN PORTUGAL.

D. THE GOVERNMENT OF THE UNITED STATES IS CONCERNED BY THE CONTINUED FAILURE TO RESOLVE THE UNJUSTIFIED STOPPAGE OF TORRINGTON PORTUGUESA OPERATIONS. THE COMPANY HAS STUDIOUSLY SOUGHT TO COMPLY WITH ALL PORTUGUESE LEGAL REQUIREMENTS, TO DEMONSTRATE MAXIMUM FLEXIBILITY IN SEEKING A SOLUTION, AND TO REAFFIRM ITS DESIRE TO CONTRIBUTE TO THE NATION'S ECONOMIC ADVANCEMENT. IT CANNOT, HOWEVER, BE EXPECTED TO FULFILL ITS CORPORATE ROLE IN PORTUGAL AND, AT THE SAME TIME, SURRENDER MANAGERIAL SUPERVISION OF ITS FACTORY. INDEED THE PORTUGUESE GOVERNMENT'S UNILATERAL AUTHORIZATION FOR THE WITHDRAWAL OF FUNDS FROM TORRINGTON PORTUGUESA'S BANK ACCOUNT INDICATES THAT THE COMPANY HAS ALREADY BEEN DEPRIVED OF ITS OWNERSHIP ROLE AND RAISES THE QUESTION OF DE FACTO NATIONALIZATION OF THE COMPANY'S ASSETS. CONTINUED FAILURE TO RESOLVE THIS PROBLEM CAN LEAD ONLY TO FURTHER COMPLICATIONS AND TO GREATER LOSSES IN INCOME AND OUTPUT. GRAVELY CONCERNED BY THE POTENTIAL ECONOMIC AND POLITICAL IMPORT OF THIS UNFORTUNATE SITUATION, THE GOVERNMENT OF THE UNITED STATES REQUESTS THAT THIS ISSUE BE TREATED IMMEDIATELY AT THE HIGHEST LEVELS OF THE PORTUGUESE GOVERNMENT, INCLUDING AS NECESSARY THE COUNCIL OF MINISTERS AND THE REVOLUTIONARY COUNCIL, IN ORDER THAT A RAPID, EQUITABLE SOLUTION

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MAY BE FOUND.

E. COMPLIMENTARY CLOSE.
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